

LOUISIANA NATURAL GAS EXPORTS, INC.

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Mehmet Ali Yalçındağ
Chairman
Turkey-U.S. Business Council (TAIK)
River Plaza
Büyükdere Caddesi, Bahar Sk. No: 13/9-10
34394 Istanbul, Turkey

Dear Chairman Yalçındağ,

This memo sets out financing options for the US-Turkey LNG project. The details will be worked out in the context of the negotiation of the final contracts. We are keen to assist TAIK in facilitating discussion at a governmental level and between private companies.

Key to the success of the project, and to securing long-term financing for it, is that it has strong economic, political and geopolitical underpinnings:

- From a policy standpoint, the project meets two strategic goals of the US government: First, the desire to support a stronger, more diversified and energy secure Turkey with less dependency on Russia and Iran, and second, increased US exports, particularly in the energy sector.
- At the same time, it affords Turkey the strategic opportunity to deepen its economic relationship with the United States, drawing the two economies closer together strategically.
- It seeks to substantially strengthen Turkey by creating true energy security based on the stability of a long-term, committed supply of natural gas sold at a market-based, fully transparent price. It also diversifies supply.
- A long-term energy supply sourced from the United States will also create the economic opportunity to further improve infrastructure within Turkey. This will provide further access into the broader energy market, with the goal of enabling Turkey to become the gas trading "Henry Hub" for Europe.
- As well as benefitting Turkey, it also furthers the goals of the EU, eastern European and the Baltic States to diversify away from Russian gas supplies.

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Given the economic and policy underpinnings of the project, we believe that there will be strong support from the Trump Administration, US governmental agencies and Europe for the project. We hope TAIK can facilitate similar support from the Turkish Government.

The details of the financing will be finalized as the project advances. We envisage a 12 to 15 year agreement, starting with an initial phase of 2 to 3 years of spot market sales, to be followed by a 10 to 12 year agreement based on a transparent, commercially competitive pricing structure from LNG facilities in the U.S. The intention would be to use this financing period to deepen the partnership and secure additional LNG supply from the US to Turkey over the medium and long term.

We expect strong support for the project from International Development Finance Corporation (DFC) and the Export-Import Bank of the United States EXIM on the US side upon the direction of the White House. Similar projects have also received support from EU agencies, including the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). With further support from the Turkish government in the form of a state guarantee, financing for Turkey to increase LNG imports from the United States is feasible.

EXIM has supported US exports of LNG in the past. It provided a \$5 billion loan to a project in northern Mozambique, explicitly to facilitate a project that lacked private financing. Details are available here: <https://www.exim.gov/news/exim-approves-5-billion-finance-exports-mozambique-lng-project> and here: <https://www.bloomberg.com/news/articles/2020-05-20/total-s-mozambique-lng-set-to-sign-15-billion-financing-in-june>

The EBRD is a significant financier of pipelines in Europe (it originally was formed to finance Eastern Bloc countries and then expanded). Projects it has funded include:

- Trans-Adriatic Pipeline (Greece/Turkey Border to Southern Italy)
- Trans-Anatolian National Pipeline (Turkey)
- BRUA Corridor Gas Pipeline (Bulgaria, Romania, Hungary, Austria)

Yours truly,

Ben Blanchet
Chief Executive Officer
LOUISIANA NATURAL GAS EXPORTS, INC.

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June 10, 2020

Mehmet Ali Yalçındağ
Chairman
Turkey-U.S. Business Council (TAIK)
River Plaza
Büyükdere Caddesi, Bahar Sk. No: 13/9-10
34394 Istanbul, Turkey

Dear Chairman Yalçındağ,

We are writing to express our strong interest in working with TAIK and Turkey in the long-term development of Turkey's energy industry. We welcome the opportunity, under the leadership of President Erdogan and by working with TAIK, of being part of the enhancement of Turkey's strategic energy supply through increased imports of liquefied natural gas (LNG) from the United States. We have carefully read President Erdogan and Energy Minister Donmez's plans for growth and supply diversification in the sector. It is clear that doing so will improve and strengthen Turkey's energy security and stability. We are confident that we can, and we will, contribute to the successful implementation of President Erdogan's vision.

The United States strongly supports the export of American LNG to Turkey on a basis that not only enhances Turkey's energy independence on a secure, competitive basis but also supports Turkey's plans to become a major economic partner with the United States. LNG is a major part of plans to increase bilateral trade between Turkey and the U.S. to \$100 billion annually. This creates the opportunity for both of our governments to build on their strategic relationship for mutual gain.

We envisage a 12 to 15 year agreement, starting with an initial phase of 2 to 3 years of spot market sales, to be followed by a 10 to 12 year agreement based on a transparent, commercially competitive pricing structure from LNG facilities in the U.S. Attached to this letter is a Memorandum of Cooperation setting out terms of the transaction.

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The intention would be to use the financing period to deepen the partnership and secure additional LNG supply from the US to Turkey over the medium and long term.

Introduction

LNGE is a United States registered and based Company established to export Liquefied Natural Gas and certain related products from the United States, specifically from Louisiana where the LNGE principals have a long-standing history of operating in the oil and gas industry. Louisiana is the state at the forefront of LNG exports in the United States, with some of the best and largest port facilities in the world. It is currently the largest exporter of LNG in the US and has a long-term supply of gas serviced by an extensive infrastructure that extends into every major gas basin in the US. Because of the large volumes of natural gas produced, transported and used in Louisiana, the state is where the Henry Hub is located, which benchmarks spot and future gas prices.

Working with Turkey's government and its energy companies, LNGE proposes to lead a consortium to accomplish the proposed objectives of providing a long-term, secure supply of LNG with transparent, market-based pricing. A draft MOU attached to this letter sets out an indicative proposal for how this could work.

In connection with that proposal, we are open to a discussion about investing and participating in the infrastructure enhancements a strategic LNG contract will provide. With a new agreement on LNG in place, we believe that further capital and potential investors will be attracted to finance additional infrastructure upgrades. This would increase regasification and pipeline capacity from Turkey to Europe and the MENA region, exploiting strategic potential around gas storage facilities and geographical location. Turkey could become the 'Henry Hub' of Europe and MENA, enhancing its energy and geopolitical security.

LNGE believes it is well suited to work with Turkey in crafting and implementing solutions to this strategy.

As part of the proposal, LNGE would require long-term, secure, competitively priced access to Turkey's LNG terminals, gas pipeline and storage facilities. The sales of LNG and natural gas proposed in this letter requires long-term, secure, economic access to gas transit and storage within Turkey. The specifics of ensuring this requirement will be agreed as part of the negotiations for the sales of LNG and natural gas.

LNG Principals and Background

LNGE's principals are long-standing residents in Louisiana. As oil and gas independent investors and operators, they have been involved in setting up and running upstream and midstream operations for 50 years, both domestically and internationally. They were the first foreign investors in Ukraine's upstream oil and gas business. They have operated in every major oil and gas basin/country in the world including the US, Canada, Mexico, Europe, Israel, Ukraine, Georgia, Kazakhstan, Uzbekistan, Indonesia, Philippines, Mideast, China, India and Africa. They have been involved in each segment of oil and gas operations including the construction and operation of gas pipelines and related facilities. They have been successful in negotiating/working with Governments and local energy companies and in creating and executing on complex projects.

The LNGE principals have a long history of operating in Louisiana, the US state from which the majority of American LNG will be exported. We are confident that with our life-long experience we can develop, produce and secure competitively priced LNG in sufficient quantities required for Turkey's requirements.

Thank you for TAIK's consideration and we look forward to a meeting in the near future to discuss further.

Yours truly,

Ben Blanchet
Chief Executive Officer
LOUISIANA NATURAL GAS EXPORTS, INC.